

Message Text

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E.O.. 11652: GDS

TAGS: ECON, BM

SUBJ: EAST ASIA ECONOMIC POLICY REVIEW (BURMA)

REF: (A) 77 STATE 303638, (B) 77 RANGOON 3932, (C) 77 STATE 299030,

(D) 77 RANGOON 1050, (E) STATE 012761

1. EMBASSY VIEWS ON ECONOMIC POLICY FOR BURMA REMAIN BASICALLY AS SET FFRTH IN REFERENCE D. HOWEVER, COMMENTS ON U.S. CONCESSIONAL ASSISTANCE FOR BURMA REQUIRE UPDATE AND REVISION.

2. THE USG SHOULD ADOPT A MORE POSITIVE STANCE ON ECONOMIC ASSISTANCE FOR BURMA. THE TIME HAS COME WHEN AT LEAST A SYMBOLIC AND MODEST ASSISTANCE PROGRAM IN THE ECONOMIC SPHERE WOULD BE CLEARLY IN THE INTEREST OF THE USG. IT WOULD DEMONSTRATE OUR RECOGNITION OF BURMA'S EFFORTS IN THE NARCOTICS FIELD BY PROVIDING NON-NARCOTICS RELATED ASSISTANCE TO BURMA'S ECONOMY. IT WOULD ALSO HELP MAINTAIN THE MUTUALLY BENEFICIAL ACCESS FOR AMERICAN BUSINESS TO BURMA'S MARKET AND RESOURCES WHICH IS SET FORTH IN THE PARM AS A MAJOR INTEREST. IN ADDITION, RECENT ECONOMIC ADVANCES, PARTICULARLY BURMA'S SUCCESS IN VIRTUALLY ELIMINATING ITS INFLATION PROBLEM, AUGUR WELL THAT U.S. ASSISTANCE WOULD BE USED TO ENHANCE BURMA'S ECONOMIC POTENTIAL.

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3. U.S. ASSISTANCE INITIALLY SHOULD BE SMALL, PERHAPS A PL 480 FOOD PROGRAM OF AROUND TWO TO THREE MILLION DOLLARS PLUS POSSIBLE GRANT ASSISTANCE AT A MODEST LEVEL. IN ANY CASE IT SHOULD BE CLEARLY IN THE FIELD OF ECONOMIC ASSISTANCE AND AVOID EDUCATIONAL OR SOCIAL PROGRAMS. THE GUB IS LOOKING FOR ECONOMIC ASSISTANCE (EVEN MODEST ASSISTANCE) FROM THE U.S.,

AND WHILE IT MIGHT ACCEPT SOME AID IN THE EDUCATIONAL OR SOCIAL FIELD, IT WOULD NOT REGARD OUR EFFORTS IN THESE AREAS AS MEETING ANY PARTICULAR NEED IN BURMA. SUCH AID WOULD GAIN US LITTLE GRATITUDE, LEVERAGE OR RECOGNITION FROM THE GUB. EDUCATION IS THE SECTOR OF BURMA'S LEAST NEED -- EXCEPT FOR TURNING OUT MORE GRADUATES THAN THE ECONOMY CAN ABSORB, EDUCATION SHOULD NOT BE COUNTED AMONG BURMA'S PLETHORA OF ECONOMIC PROBLEMS. U.S. ASSISTANCE IN THIS FIELD WOULD DO LITTLE TO SPUR BURMA'S DEVELOPMENT, AND FUNDS AND EFFORT PUT TOWARD EDUCATION IN BURMA WOULD QUICKLY PASS THE POINT OF DIMINISHING RETURNS. ASSISTANCE IN THE HEALTH SECTOR, PERHAPS UTILIZING EXCESS KYAT FUNDS, SHOULD BE CONSIDERED AS A COMPLEMENT TO RATHER THAN A SUBSTITUTE FOR ASSISTANCE IN THE ECONOMIC SPHERE.

4. IF THERE ARE POSSIBILITIES FOR U. S. ECONOMIC ASSISTANCE FOR BUUMA OTHER THAN A PL 480 FOOD PROGRAM, E.G. CO-FINANCING CERTAIN WORLD BANK PROJECTS OR GRANT ASSISTANCE (PROBABLY DIRECTED TOWARD AGRICULTURE),, HE EMBASSY BELIEVES THEY SHOULD BE CONSIDERED AND INVESTIGATED. HOWEVER, AT THE MINIMUM A SMALL PL 480 PROGRAM, PERHAPS PROVIDING EDIBLE OILS, SEEMS PARTICULARLY SUITED TO MEETING U.S. INTERESTS IN BURMA AT THE PRESENT TIME. IF APPROPRIATE LEGISLATIVE AUTHORITY EXISTS, THE EMBASSY BELIEVES FUNDS GENERATED FROM THE PROGRAM COULD BE OFFERED TO THE GUB FOR NARCOTICS TREATMENT AND REHABILITATION PROGRAMS; OTHERWISE THE LOCAL CURRENCY COULD BE PUT INTO A SPECIAL ACCOUNT TO FINANCE PROJECTS AIMED

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AT IMPROVING AGRICULTURAL PRODUCTIVITY.

5. THE GUB MAY NOT BE WILLING TO COMPLY WITH THE REQUIRED TERMS AND CONDITIONS OF A PL 480 PROGRAM. HOWEVER, WE THINK IT IS MORE LIKELY THAN NOT TO AGREE TO THESE CONDITIONS. (WE WILL NEVER KNOW UNLESS WE TRY.) NEVERTHELESS, SHOULD THE GUB TURN DOWN THE OFFER, THE GESTURE BY THE USG WOULD IN ITSELF SERVE TO DEMONSTRATE OUR CONCERN AND SYMPATHY FOR BURMA'S ECONOMIC PROBLEMS AND OUR WILLINGNESS TO ASSIST IN A NON-NARCOTICS AREA.

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